APR 2 1986 546-D United States General Acco GA 1.13: RCED-86-56BR

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Briefing Report to the Chairman, Subcommittee on Housing and Community Development, Committee on Banking, Finance and Urban Affairs House of Representatives

January 1986

URBAN ACTION GRANTS

COMPLETED 38

A Review of Two San Antonio, Texas, Development Projects

ORIGINAL

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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

RESOURCES, COMMUNITY, AND ECONOMIC DEVELOPMENT DIVISION

January 9, 1986

B-212637

The Honorable Henry B. Gonzalez
Chairman, Subcommittee on Housing
and Community Development
Committee on Banking, Finance
and Urban Affairs
House of Representatives

Dear Mr. Chairman:

On September 18, 1985, in response to your request, we briefed you and members of your office on our review of two Urban Development Action Grant (UDAG) projects in San Antonio, Texas. At the completion of our briefing, you requested that we provide you with a report on our work. This report is based on a case study review of the Alamo Plaza Paseo del Rio Linkage Project (referred to as the Hyatt UDAG project) and the Vista Verde South UDAG Project. The grants for these projects were $6.5 million for the Hyatt project and $18.8 million for the Vista Verde South project.

The objectives of our review were to determine UDAG project benefits expected and realized regarding (1) the amount of public funds used, (2) the number of new permanent jobs created, (3) the amount of private funds invested, (4) the amount of new taxes collected, and (5) the amount of other city revenues generated.

The Hyatt UDAG project has, for the most part, successfully accomplished what was specified in the grant agreement. This project was completed ahead of schedule. The number of jobs created, the amount of private investment generated, and the taxes collected all exceeded the expectations for the project.

On the other hand, the Vista Verde South project was behind schedule because of numerous changes. It was not possible to determine if or when the goals established at the time the Department of Housing and Urban Development (HUD) approved the Vista Verda South project will be accomplished. Therefore, our information on the Vista Verde South project consists essentially of a status report (see app. II).

To obtain our objectives, we reviewed the projects' applications, grant agreements, and amendments to the original agreements. We reviewed HUD and the grantees monitoring and

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reporting documents, independent public accounting and HUD Inspector General's audit reports, payroll records, and tax receipts. We also discussed anticipated and actual project results with HUD officials, the grantee, and other interested parties.

We developed a questionnaire and administered it to 139 randomly selected employees of the Hyatt Regency Hotel and the Central Parking System garage. These two activities were the main source of new employment opportunities under the Hyatt UDAG project. We designed the questionnaire to obtain information on employees' (1) background, (2) employment situation just prior to and after obtaining employment at their UDAG project jobs, (3) previous jobs compared to their UDAG project jobs, and (4) work experience and life outlook.

Two issues should be noted that had a direct bearing on our assessment of anticipated or planned goals versus actual results. First, city officials were unable to provide adequate documentation to support their basis for the number of new jobs anticipated or the amount of new taxes expected to be generated for both projects. Second, it is not possible to attribute all the project results to the UDAG. Although UDAG funds may have created the opportunity for private investment, it is not possible to say that certain private investment would not have occurred without the grant.

The views of directly responsible officials such as the city's Special Projects Director were sought during our work and are incorporated in the report, where appropriate. In accordance with your request, we did not request HUD and the city of San Antonio to review and comment officially on a draft of this report. Except as noted above, our work was performed in accordance with generally accepted government auditing standards.

As agreed with your office, we are sending copies of this report to the Secretary of Housing and Urban Development and city of San Antonio officials who are directly involved with the projects. Copies will also be made available to other interested parties upon their request.

Should you wish any additional information on these matters, please contact me on 275-6111.

Sincerely yours,

John H. Luke

John H. Luke
Associate Director

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ABBREVIATIONS

EDA	Economic Development Administration
GAO	General Accounting Office
HUD	Department of Housing and Urban Development
RCED	Resources, Community, and Economic Development Division
UDAG	Urban Development Action Grant

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U.S. GENERAL ACCOUNTING OFFICE
BRIEFING REPORT ON
TWO SAN ANTONIO, TEXAS, URBAN DEVELOPMENT
ACTION GRANT PROJECTS

For the
Subcommittee on Housing and Community Development
Committee on Banking, Finance and Urban Affairs
House of Representatives

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APPENDIX I

Slide I.1

ALAMO PLAZA – PASEO DEL RIO
LINKAGE PROJECT

(A CASE STUDY)

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APPENDIX I

ALAMO PLAZA-PASEO DEL RIO LINKAGE PROJECT (A CASE STUDY)

The grant for the Alamo Plaza-Paseo del Rio Linkage Project (Hyatt UDAG project) was awarded by HUD to the city of San Antonio on September 7, 1978. The grant was amended to change the completion date from January 1981 to December 1981 and again to increase the size of the hotel from approximately 500 rooms to approximately 600 rooms and change the completion date from December 1981 to March 1982. Notwithstanding the changes in the original completion date, the 633-room Hyatt Regency Hotel, the parking garage, and the Riverwalk linkage were completed in December 1981.

Slide I.2

PURPOSE OF HYATT UDAG PROJECT

Revitalize Downtown Central Business District

--Multi-level pedestrian linkage

--Construct hotel

--Construct parking garage

--Other items

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PURPOSE OF HYATT UDAG PROJECT

The purpose of the UDAG project was to initiate a comprehensive revitalization program covering six city blocks in the heart of San Antonio's historic downtown commercial area.

Interrelated components of public and private sector activities included the following:

--Riverwalk linkage--a multi-level pedestrian system at both the San Antonio River and street levels to connect the Alamo Plaza with the river. Also included were fountains and a series of cascades from the street to river level.

--Convention hotel--a new 500-room luxury convention hotel located on the river bank. The lowest level of the hotel was to be part of the Riverwalk linkage to Alamo Plaza and serve as a mall providing sidewalk dining, entertainment, and shopping for the general public. The hotel was later increased to about 600 rooms.

--Parking garage structure--a 5-level 500-car garage across the street from the hotel. The garage was to serve not only hotel guests but also provide parking for visitors to the Alamo and the Riverwalk. In addition, the garage structure also provides about 7,500 square feet of retail space and a cafe on the Riverwalk side.

--New commercial development--11,600 leasable square feet of new commercial property in a partially enclosed shopping and entertainment mall. The mall was to be designed concurrently with the Riverwalk linkage and the convention hotel.

--Existing commercial revitalization--several retailers in the Alamo Plaza area were prepared to expend private funds to upgrade and renovate their properties subject to the implementation of the Alamo Plaza-Paseo del Rio Linkage Project.

--Historic facade restoration--a major component in upgrading the commercial properties in the Alamo Plaza area was to be the restoration of the historic facades of certain buildings, especially those facing the Alamo. Through the years these buildings had lost their once elaborate cornices and balconies, windows had been boarded up, and false facades usually of metal had been used to cover the original building material.

--Contraflow bus lane improvements--a 1,020 foot contraflow lane opposite the historic Alamo chapel. The project was to give preferencial treatment to over 300 buses per day to expedite passenger movement in the central business district. The project was to consist of a special lane for bus-only movement, an island to separate bus traffic from auto traffic, and other improvements such as seats, trash receptacles, and lighting.

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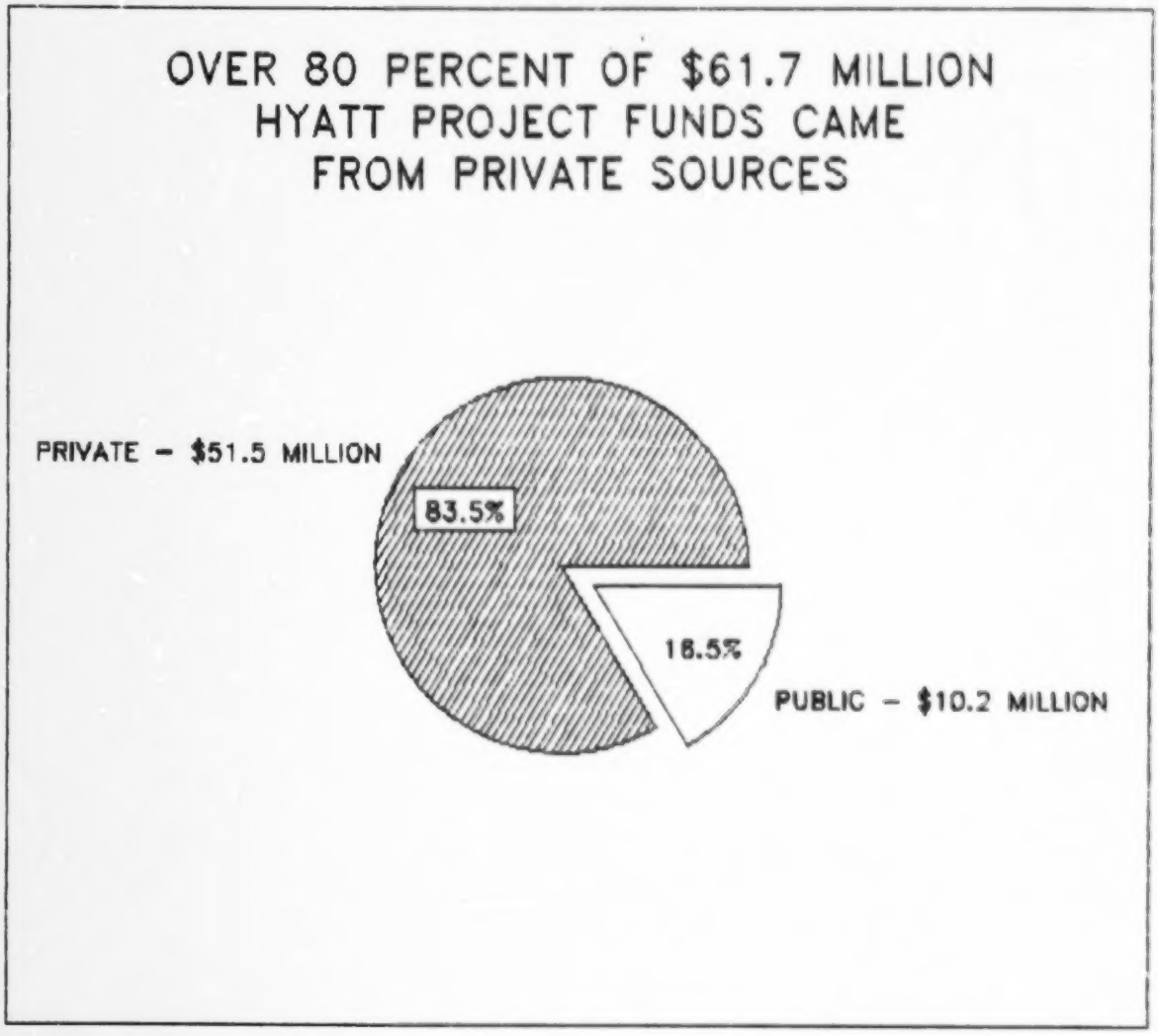
Slide I.3



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OVER 80 PERCENT OF $61.7 MILLION HYATT PROJECT FUNDS CAME FROM PRIVATE SOURCES

The total project amounted to about $61.7 million of which about $51.5 million, or 83 percent, came from private sources. Approximately $10.2 million in public funds--including about $2.3 million of Community Development Block Grant funds, $300,000 of Economic Development Administration (EDA) grant funds, and about $313,000 in city funds. The EDA funds were used for historical facade restoration; $124,000 in city funds were used to relocate sewer lines; and the remaining city and block grant funds were used for various expenses, including architect fees, bid advertisements, site improvements, and administrative costs.

The contraflow bus lane received about $597,000 from the Department of Transportation (Urban Mass Transit Administration), about $97,000 from the State of Texas, and about $52,000 from VIA Metropolitan Transit.

The $6.5 million UDAG was for the acquisition of the land for the hotel, parking structure, and the Riverwalk linkage; and construction of the Riverwalk linkage including excavation, improvements to the San Antonio River, utility relocation, site preparation, landscaping, resurfacing pedestrian walkways, and other related construction costs.

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Slide I.4

OVERALL PROJECT EXPECTATIONS

Jobs	670
Private Investment	$36.6 million
Tax Revenues	$661,000 annually
City Revenues	$440,000 annually

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OVERALL PROJECT EXPECTATIONS

The grant agreement listed the following expectations for the project:

--670 new permanent jobs--The city estimated that the hotel would create about 450 new jobs and the new retail establishments and the parking garage would add an additional 220 jobs. These jobs were to be typical of large hotel operations, including a fine food restaurant and coffee shop, commercial retail operations, and those related to a convention and tourist economy.

--$36.6 million in private investment--The anticipated private investment included $28.5 million for the hotel and parking structure and $8.1 million was mostly for improvements of existing commercial property.

--$661,000 annual tax revenue--The estimated increases in annual tax revenue were based on $251,000 in property tax revenues and $410,000 from other taxes such as sales and income.

--$440,000 annually from other revenues--The average annual lease income was estimated to be about $190,000. Other planned revenues included $250,000 annually from the sale of chilled water and steam.

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APPENDIX I

Slide I.5

JOBS

Expected	Actual
670	690

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JOBS

The 670 new jobs to be created were based on 450 jobs for the Hyatt Regency Hotel and 220 for the expected retail establishments.

During our review in July 1985, the Hyatt Regency Hotel had about 600 permanent jobs. Also, about 90 employees were at the small retail shops and the parking garage. The Hyatt, in its Equal Employment Opportunity report, showed that as of June 8, 1984, it employed about 390 minorities.

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Slide I.6

PRIVATE INVESTMENT

Expected	Actual
$36.6 million	$51.5 million

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APPENDIX I

PRIVATE INVESTMENT

The goal of about $37 million in invested funds for the project has been exceeded. About $37 million in private funds was invested in the Hyatt Regency Hotel. Also, approximately $14 million in private funds is being used primarily to restore 10 historic properties. Six of the properties have been restored at a cost of about $7.5 million since 1980, and the other four properties are being restored at a cost of about $6.8 million.

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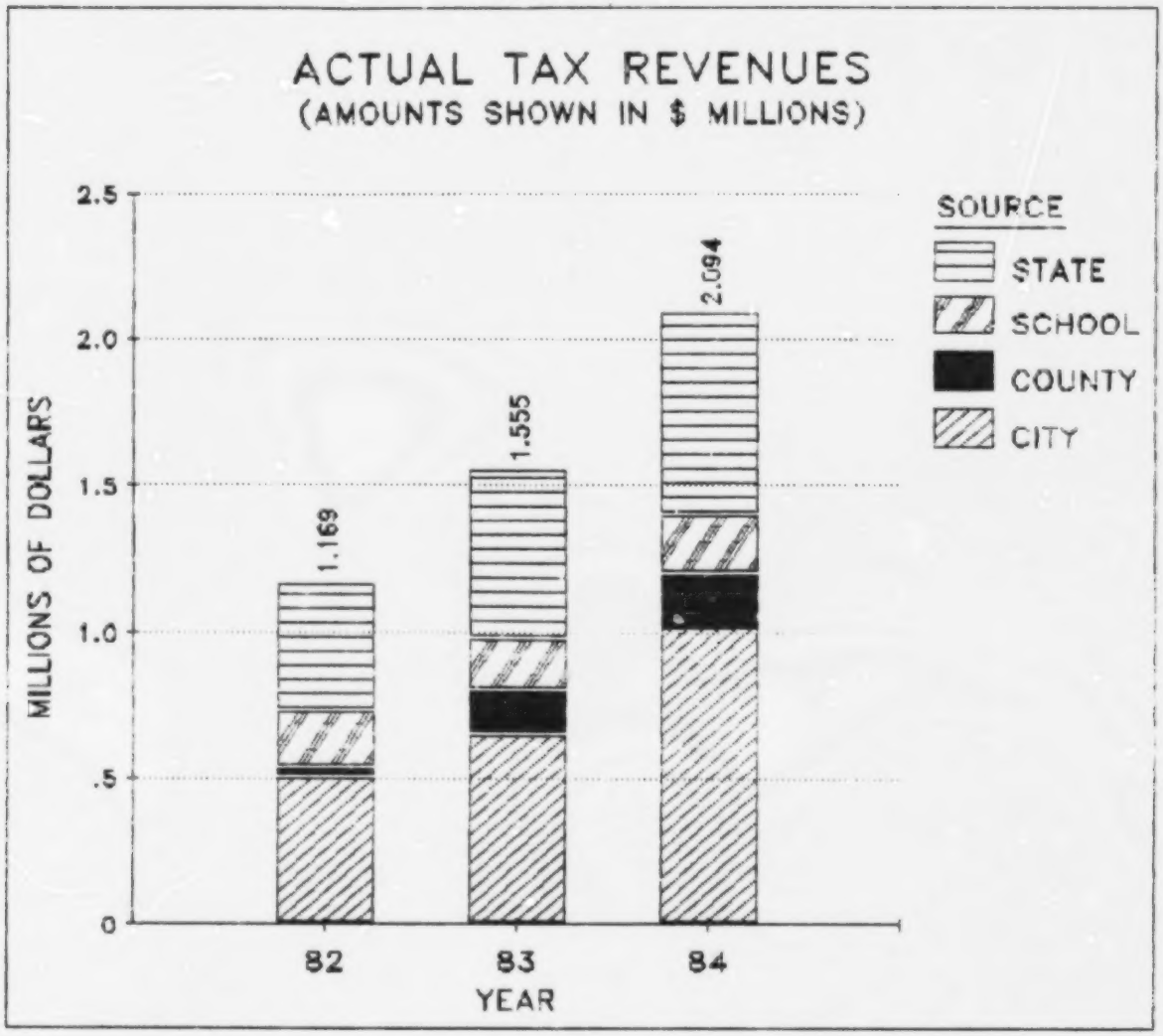
Slide I.7



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ACTUAL TAX REVENUES

In 1982 nearly $1.2 million in taxes was collected, which is almost double the amount originally estimated. Taxes increased to about $1.6 million in 1983 and about $2.1 million in 1984. In 1984, this included city taxes of about $1.02 million, county taxes of about $180,000, school taxes of about $205,000, and state taxes of about $689,000 according to information provided by the City Tax Assessor's Office and the state Comptroller's office. Also, none of these amounts include sales taxes because the state Comptroller's office would not provide us with this information. Therefore, the total amount of taxes collected would be greater than the above amounts.

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Slide I.8

CITY REVENUES

Expected	Actual
$440,000 annually	$167,000 – 1983
	$322,000 – 1984

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APPENDIX I

CITY REVENUES

Other anticipated revenues of $440,000 consisted of two items--$250,000 from the sale of chilled water and steam to the hotel by the city and about $190,000 from lease income. The developer, according to one city official, did not consider it economically feasible to install utility lines; therefore, the revenue from the sale of chilled water and steam did not materialize. However, lease income has been increasing each year. It was about $167,000 in 1983 and about $322,000 in 1984.

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APPENDIX I

Slide I.9

EMPLOYEE

QUESTIONNAIRE

RESULTS

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EMPLOYEE QUESTIONNAIRE RESULTS

During our review in July 1985, the Hyatt Regency Hotel in San Antonio, along with an auxiliary parking garage, employed about 600 workers. We classified these workers into three occupational categories--(1) service workers, (2) sales, clerical, and skilled workers, and (3) managerial, professional, and technical workers. We selected a representative sample from each category. In addition, we designed the sample so that the sampling error would not exceed 10 percent at the 90 percent level of confidence.

We surveyed 15 percent (58) of the 393 service workers, 40 percent (42) of the 106 skilled workers, and 45 percent (39) of the 85 managerial/technical workers. Overall, we surveyed 139 of the 584 employees.

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Slide I.10

WHO WORKED AT THE HYATT UDAG PROJECT?

		Percent
Sex	Male	54
	Female	46
Ethnic Origin	Hispanic	52
	White	34
	Black	9
	Other	5
Marital Status	Single/Never Married	55
	Married	27
	Divorced or Separated	18
Age	21 or less	24
	22–30	49
	31–49	25
	50 or more	2
Education	less than a high school graduate	14
	high school graduate or equiv.	29
	trade or vocational school	2
	some college	36
	associate/college degree or more	19

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APPENDIX I

WHO WORKED AT THE HYATT UDAG PROJECT?

--Slightly more than 50 percent were male.

--Over 50 percent were hispanic, 34 percent were white, and less than 10 percent were black.

--Over 50 percent were single, nearly 30 percent were married, and almost 20 percent were divorced or separated.

--Almost 50 percent were between 22 and 30, and about 25 percent were 21 or less, with the remainder being over 30.

--Over 55 percent attended or graduated from college, and about 31 percent were high school graduates or equivalent or attended a trade or vocational school. The remainder had less than a high school education.

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APPENDIX I

Slide I.11

REASONS GIVEN FOR WORKING AT THE HYATT UDAG PROJECT

	Percent
Better Benefits	52
Needed A Job	41
Better Working Conditions	40
More Money	40
Better Location	19
Same Money But Better Hours	9
Laid Off/Fired	2

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REASONS GIVEN FOR WORKING AT THE HYATT UDAG PROJECT

We asked the employees in the questionnaire why they took the job at the Hyatt project and gave them the opportunity to check one or more reasons for taking the job.

--About 50 percent of the employees indicated that they took the job to obtain better benefits, such as sick leave, vacations, and training.

--About 40 percent of the employees indicated that they (1) needed a job, (2) wanted better working conditions, and/or (3) sought more money.

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Slide I.12

HYATT EMPLOYEES REPORTED THEIR CURRENT JOB WAS BETTER THAN THEIR PREVIOUS JOB

	Percent*
Health Benefits	81
Other Benefits	78
Equipment/Supplies	70
Working Conditions	67
Promotion Potential	66
Pay	61
Supervision	55
Job Security	53

*Percent of staff agreeing that their current job was better.

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HYATT EMPLOYEES REPORTED THEIR CURRENT JOB WAS BETTER THAN THEIR PREVIOUS JOB

Overall, most of the employees viewed their Hyatt job more positively than their previous job. In fact, the employees said their Hyatt job was better than their previous job in terms of the following:

--About 80 percent of the employees indicated that health benefits were better. Another 12 percent indicated that health benefits were about the same.

--Nearly 80 percent of the employees indicated that other benefits (such as vacation, retirement, sick leave) were better, and 14 percent indicated they were about the same.

--About 70 percent of the employees indicated that equipment and supplies seem better in their current jobs than in their previous jobs, and slightly more than 25 percent indicated they were about the same.

--About 67 percent of the employees indicated that their current job was better than their previous job in terms of working conditions, and 31 percent indicated they were about the same.

--About 66 percent of the employees indicated that their current job had greater promotion potential, and nearly 25 percent indicated that it was about the same.

--Finally, 61 percent indicated that their pay was better, 21 percent indicated that it was about the same, and 17 percent indicated that it was worse.

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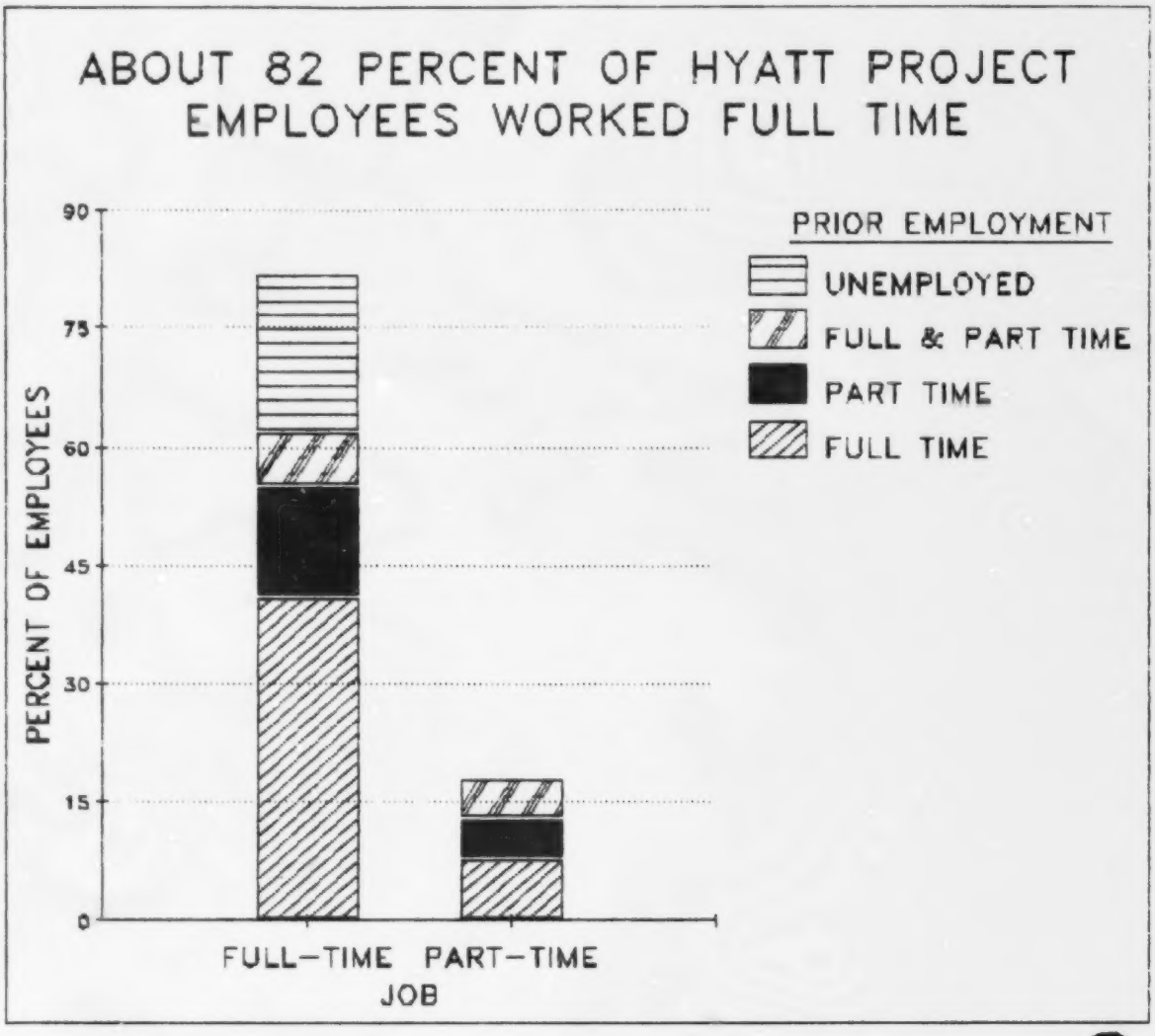

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ABOUT 82 PERCENT OF THE HYATT PROJECT EMPLOYEES WORKED FULL TIME

About 82 percent of the employees worked full time at the Hyatt project and about 18 percent worked part time. Of all the employees, the full-time employees prior work experience was as follows:

--41 percent held a full-time job,
--14 percent held a part-time job,
--7 percent had both a full- and part-time job, and
--20 percent were unemployed.

The part-time employees prior work experience was as follows:

--8 percent had worked full time,
--5 percent had worked part time, and
--5 percent were unemployed.

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APPENDIX I

Slide I.14

HYATT JOB EXPERIENCE WAS POSITIVELY PERCEIVED BY EMPLOYEES

Would the experience help to get another job?

	Percent
Help	89
No Effect	10
Hurt	1

Does the job make life...

Better	60
Same	36
Worse	4

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APPENDIX I

HYATT JOB EXPERIENCE WAS POSITIVELY PERCEIVED BY EMPLOYEES

Eighty-nine percent indicated that the job experience would help them get another job (if they sought one). Ten percent indicated that the job experience would neither help nor hurt, and the remaining 1 percent indicated that the experience would hurt them if they sought another job.

Generally 60 percent indicated that the job made life better. Thirty-six percent indicated that it was about the same, and the remaining 4 percent indicated that life was worse.

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APPENDIX II

Slide II.1

VISTA VERDE SOUTH
UDAG PROJECT

(A STATUS REPORT)

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APPENDIX II

VISTA VERDE SOUTH PROJECT
A STATUS REPORT

HUD gave preliminary approval to the $18.8-million grant on January 11, 1980. The project was originally scheduled for completion in January 1984. The project's goal was to create about 1,700 new permanent jobs. The expected total cost of the project was about $97 million, and it was expected to generate annual tax revenues of about $7.4 million. Because of numerous changes, the project is behind its scheduled completion date.

The project's $18.8-million UDAG-funded activities include land acquisitions, relocations, demolitions, and water and sewer improvements. As of September 1985, $13.5 million of grant funds had been drawn down. The remaining $5.5 million is for additional land acquisition, relocations, demolition and replatting activities, and public improvements.

The non-UDAG funded activities require a minimum private investment of about $59 million. Non-UDAG funded activities required by the amended grant agreement and the status as of September 1985 of each activity are shown in the following schedule.

Status of Non-UDAG Funded Activities
Vista Verde South Project

Planned activity	Status
1. Construction of 425,000 square feet of office and industrial buildings at an estimated cost of $13.7 million.	1. Construction of 166,000 square feet of office and industrial buildings, costing $9.7 million, has been completed. An additional 265,000 square feet of industrial buildings is still planned.
2. Construction of 150,000 square feet of retail space, with 560 parking spaces at an estimated cost of $10 million.	2. Construction of the $12.5-million, 150,000 square foot retail plaza and related parking was essentially completed in April 1985. As of July 25, 1985, about 40 percent of the retail space had been leased.

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Planned activity	Status
3. Construction of a $2-million, 99,380 square foot warehouse.	3. The $2-million, 99,380 square foot warehouse was under construction at the time of our review.
4. Construction of a $12-million, 200,000 square foot office tower.	4. The office tower was dropped from the project. Construction of a $14-million, 250-room Ramada Inn is now underway on the site with completion planned for February 1987.
5. Construction of a $3.5-million, 50,000 square foot business and technology center.	5. A $6.1-million, 94,000 square foot business and technology center was completed in mid 1985.
6. Construction of a $5.1-million, 200-room motor hotel.	6. This was dropped from the project. There are no definite plans for the parcel where the motor hotel was to be built.
7. Construction of a $2.6-million, 107-unit multi-family apartment complex.	7. None of the 107-unit multi-family housing had been started.
8. Construction of a minimum of 44 single-family housing units, estimated to cost $1.9 million.	8. Eleven of the planned single-family housing units were completed in late 1984 at a cost of about $450,000. As of September 1985, no other units were under construction.

Since the original completion date was January 1984 and the latest scheduled completion date that city officials were able to furnish (for the 265,000 square foot light industrial buildings) is not until mid-1987, the project is about 3-1/2 years behind its original schedule.

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